International Marketing

Chapter 1: The Scope and Challenge of Int’l Marketing

Five Stages of Int’l Market Involvement

Stage 1: No Direct Foreign Marketing

- Company does not actively cultivate customers outside national boundaries (products may reach foreign markets through trading companies, domestic wholesalers/distributors, int’l web surfers, etc)

Stage 2: Infrequent Foreign Marketing

- Caused by temporary surpluses caused by variations in production levels/demands
- sales to foreign markets are made as goods are available, with little or no intention of maintaining continuous market representation (domestic demand grows → foreign sale activity may be withdrawn

Stage 3: Regular Foreign Marketing

- permanent productive capacity devoted to the production to be marketed in foreign markets
- may have foreign or domestic overseas intermediaries or its own sales force
- domestic market is primary focus, but as overseas demand grows consequently production is allocated for foreign markets

Stage 4: International Marketing

- fully committed & involved in int’l marketing activities
- planned production

Stage 5: Global Marketing

- companies treat the world (including their home country) as one market
- market segmentations decisions are no longer focused only on national borders & in fact may ignore them if they are not germane to the marketing task

Int’l operations of businesses in global marketing reflect the heightened competitiveness brought about by the globalization of markets, the interdependence of the world’s economies and the growing number of competing firms from developed & developing countries vying for the world’s markets

Strategic Orientations (EPRG Framework)

- Domestic market extension orientation (ethnocentric)
    - Seeks a sale extension of its domestic products into foreign markets
    - Int’l orientation is second to & an extension of its domestic operations
    - Seek markets where demand is similar to home market
    - Rarely works in the long-run
- Multidomestic market orientation (polycentric)
    - Has a strong sense that country markets are vastly different and market success requires an almost independent program for each country (country-by-country basis, with separate marketing strategies)

        - Products are adapted for each market with little coordination with other country markets; advertising campaigns, pricing & distribution decisions are localized
- Regional market orientation (regiocentric)
    - Company operates in many countries within, and uses standardized strategies throughout a region(s)
    - Ex. Coca-Cola, & Ford
    - Strive for where it is cost & culturally effective (ex. int'l marketing plan has a standard product, but country-specific advertising)
    - Marketing planning & marketing mix are approached from a regional perspective, & where feasible in the mix, efficiencies of standardization are sought
- Global market orientation (geocentric)
    - Company operates in many countries within, and uses standardized strategies throughout the world
    - Ex. Bombardier
    - Strive for where it is cost & culturally effective (ex. int'l marketing plan has a standard product, but country-specific advertising)
    - Marketing planning & marketing mix are approached from a global perspective, & where feasible in the mix, efficiencies of standardization are sought

True Global Orientation: operating as if all the country markets in a company's scope of operations (including the domestic market) were approachable as a single global market & standardizing the marketing mix where culturally feasible & cost effective.

Chapter 2: the Dynamic Environment of Int'l Marketing

Free Trade: the conditions of market participation: equal access to country markets, non-discrimination in procurement (gov't and private), respect for property rights, transparency in legal systems, and the elimination of trade barriers

The Marshall Plan created by the US was launched to assist in rebuilding Europe & japan. Through the Agency for International Development and other support groups, additional monies were amassed for investment in underdeveloped countries to foster economic growth & help create a stronger world economy.

- For every $ invested in the economic development & rebuilding of other countries after WW2, hundreds of $ more returned to capital-supplying nations in the form of purchases of agricultural products, manufactured goods, and services

GATT (General Agreement on Tariffs & Trade): created by world leaders who were determined not to repeat the economic disaster after WW1, was a forum for member countries to negotiate ta reduction of tariffs and other barriers of trade

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Chapter 7: Developing a Global Visual Through Marketing Research

A marketer must find the most accurate & reliable data possible within the limits imposed by time, cost and the present state of the art

Market Research: the systematic gathering, recording & analyzing of data to provide info useful in marketing decision making

Int'l marketing research: *Involves 2 additional complications* - (1) info must be communicated across cultural boundaries (translated) & (2) the environments within which the research tools are applied are often different in foreign markets

The basic difference between domestic & int'l marketing research is the broader scope needed for int'l, necessitated by higher levels of uncertainty

Research can be divided into 4 types, based on info needs:

1. General info about the country, area & market
2. Info necessary to forecast future marketing requirements by anticipating social, economic, technological, political & legal, and consumer & industry trends within specific markets or countries
3. Specific market info used to make product, promotion, distribution, & price decisions and to develop marketing plans,
4. Specific info about the company's capabilities to undertake the int'l venture. Collecting & analyzing info about a foreign market opportunity is of limited utility if in the final stage the organization is unable to implement a successful entry effort

The planning steps of Unisys Corp. call for collecting & assessing the following types of info, which show how a firm adapts the STEP logic to its particular needs:

1. **Economic & demographic**: general data on growth in the economy, inflation, business cycle trends, etc; profitability analysis for the division's products; specific industry economic studies; analysis of overseas economies; and key economic indicators for the US & major foreign countries, as well as population trends (migration, immigration & aging)
2. **Cultural, sociological, & political climate:** a general noneconomical review of conditions affecting the division's business. It also covers ecology, safety & leisure time and their potential impacts
3. **Overview of market conditions:** a detailed analysis of market conditions that the division faces, by market segment, including international
4. **Summary of the technological environment:** a summary of the state-of-the-art technology as it relates to the division's business, carefully broken down by product segments
5. **Competitive situation:** a review of competitors'' sales revenues, methods of market segmentation, products, & apparent strategies on an international scope

Possessing solid technical skills without sufficient awareness of important cultural features could result in questionable research findings & inappropriate marketing actions

Research Process

1. Define the research problem & establish research objectives
2. Determine the sources of info to fulfill the research objectives
3. Consider the costs & benefits of the research effort
4. Gather the relevant data from secondary or primary sources, or both
5. Analyze, interpret, and summarize the results
6. Effectively communicate the results to decision makers

Define the research problem & establish research objectives

- Difficulty is converting a series of ambiguous business problems into tightly drawn & achievable research objectives
- More crucial in foreign markets because an unfamiliar environment tend to cloud problem definition
- Other difficulties stem from failure to establish problem limits broad enough to include all relevant variables (researcher must be certain of problem definition is broad enough to cover the whole range of response possibilities & not be clouded by his or her SRC)

Secondary data: data collected by someone else for a purpose other than the researcher's own

StatsCan publishes Canadian int'l trade statistics as well as many industry-specific reports that can be used to assess the strengths or weaknesses of a firm's domestic competition as it considers int'l expansion.

The quantity and quality of marketing-related data available in other developed countries (such as US, Australia, Japan) are very substantial. Substantial data has only recently started in emerging & less-developed countries.

With the emergence of Eastern Europe countries as viable markets, a number of private & public groups are funding the collection of info to offset the earlier lack of market data.

Availability of data – most countries do not have gov't agencies that collect on a regular basis the kinds of secondary data readily available in Canada

- Another problem: researcher's language skills (meaning the data could be in a foreign language)

Reliability of Data – available data may not have the level of reliability necessary for confident decision-making

- Less-developed countries are particularly prone to being both overly optimistic and unreliable in data reporting
- Ex Officially published stats are sometimes too optimistic (reflecting national pride or politics rather than practical reality)
- Production stats are frequently inaccurate because industrial countries collect taxes on domestic sales (so companies shave their production stats to save on taxes)

Comparability of Data – in less developed countries, data can be many years out of date as well as having been collected on an infrequent & unpredictable schedule

- Even though many countries collect reliable data now, there isn't any historical stats to compare to
- Data can be reported in different categories or in categories too broad to be of specific value (terminology such as *supermarket* means different things to different people)

Validating secondary data – following questions should be asked to effectively judge the quality:

- Who collected the data? Would there be any reason for bias?
- For what purposes was the data collected?
- How were the data collected (methodology)?
- Are the data internally consistent & logical in light of known data sources/market factors?

- The availability & accuracy of recorded secondary data increase in line with economic development usually

Primary Data: data collected specifically for the particular research project at hand

Quantitative research – large number of respondents are asked to reply either verbally or in writing to structured questions using a specific response format or to select a response from a set of choices

- Designed to obtain specific responses regarding behaviour, intention, attitude, motive & demographic characteristics
- Ex. survey research

Qualitative research – questions asked are almost always open-ended or in-depth and unstructured responses that reflect the person's thoughts & feelings on the subject are sought

- Interpret what people in the sample are like (their outlooks, feelings, attitudes, opinions, actions)
- Ex. focus group
- Used often in int'l marketing research to formulate & define a problem more clearly & to determine relevant questions to be examined in a subsequent research
- Reveals the impact of sociocultural factors on behaviour patterns & in developing research hypotheses that can be tested later designed to quantify the concepts & relevant relationships

The success of *primary data* hinges on the ability of the researcher to get correct & truthful info that addresses the research objectives.

It is difficult for a person to ascertain needs or formulate attitudes/opinions about goods whose use may not be understood, that are not in common use within the community, or that have never been available.

Willingness to respond – cultural differences offer the best explanation for the unwillingness or the inability of many to respond to research surveys (ex. role of the mail, gender-related issues, etc)

In many countries, telephone directories, cross-index street directories, census tract & block data, and detailed social & economic characteristics of the population being studied are not available on a current basis, if at all.

In place of probability techniques, many researchers must rely on convenience samples taken in marketplaces and other public gathering places in countries without detailed social & economic info.

The most universal survey research problem in foreign countries is the *language barrier*.

- Equivalent concepts may not exist in all languages

In countries with low literacy rates written questionnaires are virtually useless

Back Translation: the questionnaire is translated from one language to another by one translator, and then translated back into the original by a different translator who has not seen the original-language version.

Parallel translation: more than two translators are used for the back translation; the results are compared, differences discussed, and the most appropriate translation is selected

In writing questions for translation, it is important that precise terms, not colloquialisms or slang, be used in the original to be translated

Multicultural Research: involves dealing with countries that have different languages, economies, social structures, behaviour or attitude patterns from one another

- The entire research design may be different between countries to maximize the comparability of the results

The internet provides a new & increasingly important medium for conducting a variety of int'l marketing research projects

Eight different uses for the Internet in Int'l research:

1. Online surveys & buyer panels
2. Online focus groups
3. Web visitor tracking
4. Advertising measurement
5. Customer identification systems
6. E-mail marketing lists
7. Embedded research
8. Observational research

A vexing challenge facing int'l marketers will be the cross-cultural concerns about privacy and the enlistment of cooperative consumer groups

In assessing current product demand & forecasting future demand, reliable current & historical data are required

When desired stats are not available, a c lose approx. can be made using local production figures plus imports, with adjustments for exports & current inventory level

Two methods of forecasting demand:

- Expert opinion: experts are polled for their opinions about market size & growth rates (ex. managers, distributors, outside consultants & gov't officials)
  - *Triangulation* – compare estimates produced by various different sources
- Analogy: assumes demand for a product develops in much the same way in all countries as comparable economic development occurs in each country
  - First, a relationship must be established between the item to be estimated & a measurable variable in a country that is to serve as the basis for the analogy (ex. population). Once a relationship is established, the estimator attempts to draw an analogy between the known situation & the country in question

The foreign marketing research must possess 3 talents to generate meaningful marketing info:

1. Researcher must possess degree of cultural understanding of the market in which research is being conducted
2. A creative talent for adapting research methods is necessary
3. A skeptical attitude in handling both primary & secondary data is helpful

There is no substitute for decision makers directly getting into the field for personal observation

A well-resourced company may have specialized staff to supervise or analyze its results, while a smaller firm may assign these tasks to the marketing manager → depends on resources/size of firm

A comprehensive review of the different approaches to multicountry research suggests that the ideal approach is to engage local researchers in each country, with closer coordination between the client company and the local research companies

Two stages of analysis are necessary:

- At the individual country level, all issues involved in each country must be identified
- At the multicountry level, the info must be distilled into a format that addresses the client's objectives

Decision makers, often top executives, should be directly involved not only in problem definition & question formulation, but also in the fieldwork. Top managers should have a 'feel' for their markets that even the best marketing reports cannot provide

Four kinds of company-agency-customer relationships

Option A: Company ↔ Agency ↔ Customers
Option B: company ↔ Agency ↔ Foreign Agency ↔ Customers
Option C: Company ↔ Subsidiary ↔ Agency ↔ Customers
Option D: Company ↔ Foreign Agency ↔ Customers

Cultural Barrier

Option B&C – better suited for managing the cultural barrier across the chain of communication
Option B – the translation is worked out between employees of the int'l marketing research agency
Option C – the translation is managed within the company
Options A&D – cultural & organizational barriers are being crossed simultaneously, thus maximizing the chances for miscommunication

Chapter 8: Market Groups and Regions

Effective economic union requires favourable economic, political, cultural & geographic factors as a basis for success

Economic Factors: Every type of economic union shares the development & enlargement of market opportunities as a basic orientation; usually, markets are enlarged through preferential tariff treatment for participating members or common tariff barriers against outsiders, or both

- This stimulates internal economic development
- Consumers benefit from lower internal tariff barriers
- For an economic union to survive, it must have agreements & mechanisms in place to settle economic disputes

Political Factors: participating countries must have comparable aspiration & general compatibility before surrendering any part of their national sovereignty
Geographic Proximity: closeness does facilitate the functioning of a common market

- Transportation networks are likely to be interrelated & well developed when countries are closer together

Cultural Factors: eases the shock of economic cooperation with other countries

There are 5 fundamental groupings for regional economic integration

- Regional Cooperation for Development (RCD)
  - Basic form of integration
  - Gov'ts agree to participate jointly to develop basic industries beneficial to each economy
- Free Trade Area (FTA)
  - Agreement between 2 or more countries to reduce or eliminate customs duties & nontariff trade barriers amongst them, while the members maintain individual tariff schedules for external countries
- Customs Union
  - It enjoys the FTA's reduced or eliminated *internal* tariffs but adds a significant component: a common external tariff on products imported from countries outside the union
- Common Market
  - Eliminates all tariffs & other restrictions on internal trade, adopts a set of common external tariffs, & removes all restrictions on the free flow of capital and labour among member nations
- Political Union

- Most fully integrated form of regional cooperation
- Involves complete political & economic integration, either voluntary or enforced

In addition to these 5 there is: commonwealth of nation – a voluntary organization providing for the loosest possible relationship that can be classified as economic integration.

European Union: most secure in its cooperation, more successful, or more important economically than the EU. From its beginning, it has made progress toward achieving the goal of complete economic integration & political union

The Single European Act (Maastricht Treaty): agreement designed to finally remove all barriers to trade & turn the former European Community (EC) into the single internal market of the EU

Treaty of Amsterdam: addressed some of the issues left undone in the SEA. It increased the authority of EU institutions & was designed to accommodate the changes brought about by the monetary union & the admission of new members. The 4 main objectives were: (1) place employment & citizens' rights at the heart of the union; (2) sweep away the last remaining obstacles to freedom of movement & strengthen security; (3) give Europe a stronger voice in world affairs; and (4) make the Union's institutional structure more efficient

Treaty of Lisbon: overall goal is to enable the EU to operate efficiently & effectively in the modern environment

Economic and Monetary Union (EMU): provision of the Maastricht Treaty that established the parameters of the creation of a common currency for the EU, the euro, & established a timetable for its implementation

European Union's Institutions: form a federal pattern with executive, parliamentary, & judicial branches.

3 Legal instruments:

1. Regulations binding the member states directly & having the same strength as national laws
2. Directives also binding the member states but allowing them to choose the means of execution
3. Decisions addressed to a gov't, an enterprise, or an individual, binding the parties named

4 main institutions in the EU:

- European commission: initiates policy & supervises its observance by member states & it proposes & supervises execution of laws & policies
- Council of ministers: the decision-making body of the EU. Responsibility is to debate & decide which proposals of the SEA to accept as binding on EU members. The council can enact into law all proposals by majority vote except for changes in tax rates on products & services (require unanimous vote)

- European Parliament: amend & adopt legislation, although it does not have the power to initiate it. Also has extensive budgetary powers that allow it to be involved in major EU expenditures
- European court of justice: responsible for challenging any measures incompatible with the Treaty of Rome & passing judgement, at the request of a national court, on interpretation or validity of points of EU law

European Free Trade Association: formed by Britain (who originally didn't want to join the EEC) for European nations not willing to join the EEC but wanting to participate in a FTA. Members were: Britain, Ireland, Austria, Finland, Sweden, Iceland, Liechtenstein, Norway & Switzerland. Over the years several of these countries decided to join the EU
European Economic Area: EFTA members worked with the EU to create this as a single market with free movement of goods, services & capital

In addition to *exports from* Canada, which are small in proportion to total exports, sales *in Europe by Canadian-owned affiliates there* are several times greater & the recent expansion of the EU to 27 countries creates an even bigger marketplace

Canada-EU trade is reasonably dispute-free, but certain developments in the EU have implications for Canada including:
- Expansion of the economic & monetary union
- Market distortions in agriculture
- Protective tariffs
- The harmonization of regulations for a single market
- New bilateral free trade agreements
- Bans and restrictions on imports imposed by the EU for health, environment & consumer protection reasons

Europe has 2 other trade groups that emerged after the dissolution of the Soviet Union:
- Commonwealth of Independent States (CIS)
- Central European Free Trade Area (CEFTA)

CIS: a loose economic & political alliance with open boarders but no central gov't. The main provisions are to repeal all soviet laws & assume the powers of the old regimes; launch radical economic reforms, including freeing most prices; keep the ruble, but allow new currencies; establish an EU-style free trade association; create joint control of nuclear weapons; and fulfill all Soviet foreign treaties & debt obligations
CEFTA: agreement involves several of the countries which, similarly to the USSR VS the CIS, emerged as a result of the breakup of the former Yugoslavia or were its neighbours

NAFTA: provides only for the elimination of trade & investment barriers between the 3 countries and does not involve provisions for economic, political or even customs union.
- Three need each other to compete more effectively in world markets (Mexico needs investment, US needs resources, Canada needs market)

Southern Cone Free Trade Area (Mercosur): largest customs union agreement in South America

- Treaty calls for a common market that would eventually allow for the free movement of goods, capital, labour and services among members (Argentina, Brazil, Paraguay & Uruguay) with a uniform external tariff

There are several causes for agitation between Canada & the US, and the rest of Latin America including:

- Differences on the preferred approach to and pace of negotiation & the northern countries' insistence that an FTAA (Free Trade Area of the Americas) be sued as the basis for a wide ranging agreement on hemispheric issues such as security, drug trafficking, the environment, & labour issues

One of the objectives in the creation of *NAFTA* was to build a unified FTA throughout the Americas to preclude a piecemeal and complex system of conflicting bilateral & multilateral agreements among nations of the region & between them and countries elsewhere.

After decades of depending on North America & Europe for technology and markets, countries in Asia-Pacific (including Japan) are preparing for the economic leap driven by trade, investment, and technology aided by others in the region.

Association of Southeast Asian Nations (ASEAN): goals of the group are economic integration & cooperation through complementary industry programs; preferential trading, including reduced tariff & nontariff barriers; guaranteed member access to markets throughout the region; and harmonized investment incentives

4 major events account for the vigorous economic growth of the ASEAN countries & their transformation from cheap-labour havens to industrialized nations:

1. The ASEAN
2. The decision to shift their economies from commodity-based to manufacturing-based
3. The decision to specialize in manufacturing components in which they have a comparative advantage (created more diversity & increased opportunities for trade)
4. Japan's emergence as a major provider of technology & capital necessary to upgrade manufacturing capability and develop new industries

Ability to sell to an entire region without differing tariff & nontariff barriers brings changes affecting the marketing mix:

- Distribution can be centralized at the most cost-effective point
- Standardization of branding is necessary because large consumers buy at the regional level rather than at the country level
- Pricing can be more consistent (reduces smuggling & parallel importing)
- Marketing can become regional and centrally managed

Closer Economic Relations (CER): A close link through a bilateral free trade agreement since the 1960s between New Zealand and Australia.

ASEAN+3 (ASEAN plus China, Japan, & South Korea): consists of the foreign & finance ministers of each country who meet annually after ASEAN meetings to deal with trade & monetary issues facing Asia

Asia-Pacific Economic Cooperation (APEC): provides formal structure for the major gov'ts of countries that border the Pacific Ocean (including the US & Canada) to discuss their mutual interests in open trade & economic collaboration

- Promotes trade liberalization & economic collaboration
- Goals → commitment to open trade, increase economic collaboration, to sustain regional growth & development, strengthen the multilateral trading system, and to reduce barriers to investment & trade without detriment to other economies

Despite Africa's large number and assortment of 'paper organizations', there is little actual economic integration because of the political instability that has characterized Africa in recent decades and the unstable economic base on which Africa has had to build on.

United Nations Economic Commission for Africa (ECA): held numerous conferences but have been hampered by governmental inexperience, undeveloped resources, labour problems, and chronic product shortages

Economic Cooperation Organization (ECO): aims to develop its infrastructure in order to foster regional cooperation. But, trade volume among its members (Iran, Pakistan, turkey, Afghanistan & 6 former Soviet Union republics) accounts for miniscule proportion of their total trade. Recently, eco indicated there was an agreement to reduce tariff and nontariff barriers to boost trade.

Chapter 9: Emerging Markets

The economic & social conditions of a country are the most important environmental elements to which the foreign marketer must adjust the marketing task

The stage of economic growth within a country affects:

- Attitudes toward foreign business activity
- The demand for goods
- The distribution systems found within a country
- The entire marketing process

In static economies → marketing is more than supply effort (consumption is rigid)
In dynamic economies → marketing is faced with detecting & providing for new levels of consumption (marketing efforts must be matched with ever-changing wants and needs)

Development presents 2 challenges:

1. Good understanding of the general aspects of a society's development is necessary to gain empathy regarding its economic & social climate
2. State of economic development must be studied with respect to market potential, including the present economic level& the society's development prospects

Key task for marketers:
- Understand the main features of a foreign market that affect sales & costs
- Determine the level of demand
- Determine how demand can be segmented
- Uncover the drivers that are pertinent to each segment
- Build an action plan to address profitable segments

Newly Industrialized Countries (NICs): countries experiencing rapid economic expansion and industrialization but ‘are not there yet’ and therefore do not fit either the ‘less’ developed or the ‘more’ developed categories
- Moved away from restrictive trade practices
- Shown rapid industrialization of targeted industries & have per capita incomes that exceed other developing markets
- Ex. Chile, Brazil, Mexico, South Korea, Singapore, & Taiwan

NIC Factors for economic Growth
- Antecedents to development: lessons from Africa VS East Asia paradox
- Sectorial strengths as engines for growth
- The role of info technology

The factors that existed during the economic growth of NICs include:
- Political stability – in policies affecting their development
- Economic & legal reforms – poorly enforced contract & rights
- Entrepreneurship – free enterprise in the hands of self employed
- Planning - development plan with observable & measurable goals linked to specific policies
- Outward orientation – production fort the domestic market & export markets with increases in efficiencies and differentiation of exports from competition
- Factors of production – if deficient in the factors of production (land, labour, etc) an environment existed where factors could come easily from outside country
- Industries targeted for growth – created to identify sectors where opportunities existed
- Incentives – force high domestic rate of savings & direct capital to update infrastructure, transportation, housing, education & training
- Privatization – of state-owned enterprises that placed a drain on budgets
- Large accessible markets with low tariffs

Normally we think of the NIC growth factors as applying only to industrial growth, but economic growth can occur with agricultural development as its economic engine (Ex. Chile)

Regional cooperation & open markets are crucial for economic growth

The internet facilitates education, a fundamental underpinning for economic development

Objectives of Developing Countries
- Industrialization
- Better education

- Better & more effective gov't
- Elimination of many social inequities
- Improvements in moral & ethical responsibilities

If you don't have proper distribution, you won't be able to make the sales even if you have the production.

A marketer cannot superimpose a sophisticated marketing strategy on an underdeveloped economy → marketing efforts must be keyed to each situation & custom tailored

- Promotional programs & pricing must be different

Facilitators that have been created to serve the particular need of expanded markets & economies include:

- Advertising agencies
- Facilities for marketing research (including working postal & telephone system, city maps, etc)
- Repair services
- Specialized consumer-financing agencies
- Storage & warehousing facilities

As global competition for a demanding customer base increase, countries & tourism operators around the world are committing themselves to improving hospitality HR development

Part of the marketer's task when studying an economy is to determine what in the foreign environment will be useful & how much adjustment will be necessary to achieve stated objectives. It may be up to the marketer to institute foundations of a modern market system

It is not unusual to find traditional marketing retail outlets functioning with advanced, modern markets

Economic Dualism: the coexistence of modern & traditional sectors within the economy

- Can be close geographically, but centuries apart in production & consumption
- Dual economy affects:
  - Size of the market
  - Creates two distinct marketing & economic levels
- Has minimum 2 market segments requiring their own marketing program & products

The traditional sector may offer the greatest potential initially, but as the transition from the traditional to modern takes place an established marketer is better able to capitalize on the growing market

- ➔ Marketer should develop a marketing plan that services the traditional market through small grocery stores and the modern market through supermarkets, shifting its emphasis gradually from one to the other as the market grows while being careful not to alienate either segment during transition

New markets mean the marketer must help educate the customer. It takes time and money invested to get a profit, but in the long-term can be highly profitable.

Market indicators useful in evaluating the attractiveness of emerging markets:
- Aggregate demand (Market size, Growth rate, Market intensity, Consumption capacity)
- Infrastructure (signifies supply or support capabilities)
- Economic freedom & market receptivity (reflect opinion country has on foreign trade)
- Country risk (a summary of financial, economic & political factors)

These indicators are then weighed to arrive at a composite indicator of *market potential* for the country.
- Assign weights from past experiences

Potential VS Risk Trade-off Model:
- If the critical entry factor is whether or not ample demand exists, it may be prudent to apply greater weights to the demand indicators.
- If political uncertainty is more evident than it is best to apply greater weight to the country risk indicator.

Emerging markets: the more than 130 developing and NICs combined

Big emerging markets: Countries like China, India, Argentina, Mexico, and Poland have the general criteria (each country does not meet ALL of these):
- are physically large
- have significant population
- represent considerable markets for a wide range of products
- have strong rates of growth or potential for growth
- have undertaken significant programs of economic reform
- Are of major political importance with their regions
- Are regional economic drivers
- Will engender further expansion in neighbouring markets as they grow

BEMs differ from other developing countries because they import more than smaller markets & more than economies of similar size
As their economies expand, there is growth in demand for goods & services, much of which must be imported. Because many of these countries lack modern infrastructure, much of the growth will be in industrial sectors (transportation, financial services, technology, environment, energy, healthcare, etc)

Import substitution: manufacturing products at home rather than importing them

Most of the countries in the Americas have moved from military dictatorship to democratically elected gov'ts, and sweeping economic & trade liberalization is replacing the economic model followed before.

Latin America market has great economic and market possibilities but suffered many setbacks (08-09 recession, Russian devaluation, etc).

New business opportunities emerge almost daily in eastern/central Europe & the Baltic states. This region is described as anywhere between chaotic and risky to exciting with opportunities

20 years after the fall of the Berlin Wall, several countries in Eastern Europe are fully integrated with the world economy & some have joined the EU, while others are still struggling.

- The countries that rapidly instituted the broadest free market policies & implemented the most radical reforms prospered most in the long run
- Rapid liberalization of trade combined with their macroeconomic stabilization policies and broad institutional reforms created a supportive environment for the expansion & reorientation of their trade

Radical reforms: extensive privatization of small & medium-size enterprises and banking reforms

Eastern Europe

- Each country had its own economic problems and is at a different stage in evolution
- Most countries are:
  - privatizing state-owned enterprises
  - establishing free market pricing systems
  - relaxing import controls
  - wrestling with inflation
- moving quickly allows the transformations to be guided mainly by the spontaneity of innovative market forces rather than by gov't planners or technocrats
  - countries who took the slow road are developing slower
- countries that emerged from the dissolution of the former Yugoslavia have been plagued with internal strife over ethnic and religious divisions

The Baltic States (Estonia, Latvia, & Lithuania)

- countries started off with roughly the same legacy of inefficient industry and Soviet-style command economies
- Estonia seized the land by dropping the ruble, privatizing companies & land, letting struggling banks fail, and adopting one of the freest trading regimes in the East European Region
  - Economic reform policy has led to a liberalized, nearly tariff-free, open-market economy
- Although there has been steady progress in Latvia & Lithuania, gov't bureaucracy, corruption, & organized crime continue

Asia (Asia Pacific, China, Hong Kong, Taiwan, & India)

- Fastest-growing area
- Pacific Rim (Asia Pacific including Hong Kong, South Korea, Singapore, & Taiwan)
  - Besides japan, the first Asian countries to move from a status of developing country to newly industrialized
  - Each has become a major influence in trade & development in the economies of the other countries with their spheres of influence
  - They are catching up to Japan in terms of economic leaders

- China
    - Economic and social changes occurring in China since it began actively seeking economic ties with the industrialized world have been dramatic
    - They have a dual economic system (embracing socialism with capitalism)
    - The growth they are expecting depends on china's ability to deregulate industry, import modern technology, privatize overstaffed, inefficient state-owned enterprises, and continue to attract foreign investment
    - There is no one-growth strategy for China because they are a group of regions (because of its size, diversity & political organization)
        - Each region is at a different stage economically
        - Each has its own investment patterns, taxed differently, & substantial autonomy in how it is governed
        - Each region is linked to the central gov't in Beijing
    - Experience with many past agreements has shown that it is often next to impossible to get compliance on some issues with China so many are concerned if they will follow WTO rules
    - China has two other important steps to economic growth:
        - Improving human rights
        - Reforming its legal system
    - Increased open corruption is prevalent but China has recently been trying to curtail this
- Hong Kong
    - Is a free society with legally protected rights
    - Special administered region (SAR) gov't continues to pursue a generally non-interventionist approach to economic policy that stresses the predominant role of the private sector
    - Most business problems stem from fundamental concepts such as clear rules & transparent dealings that are not understood the same way on the mainland as in Hong Kong
- Taiwan
    - Mainland-Taiwan economic ties are approaching a crossroads as both countries enter the WTO
    - Are a separate country worried that china will force them to become part of them
    - Three direct links: transportation, trade, & communication
    - Taiwanese companies face rising costs, china has cheap labour & engineering talent.
    - Taiwan is a tech powerhouse that needs china's market
- India
    - Among the last of the economically important developing nations to throw off insular policies. Its growth had been constrained & shaped by policies tailored to aversion to free markets.
    - India was keeping foreign capital out
    - A 5-point agenda has been installed that includes:
        - Improving the investment climate
        - Developing a comprehensive WTO strategy
        - Reforming agriculture, food processing and small-scale industry

    - Eliminating red tape
    - Instituting better corporate governance
  - Steps taken to achieve this:
    - Privatizing state owned companies (as opposed to merely selling shares in them)
    - Recasting the telecom sector's regulatory authority & demolishing the monopolies enjoyed by state-owned companies
    - Signing a trade agreement with the US to lift all quantitative restrictions on imports by 2001
    - Maintaining the momentum in reform of the petroleum sector
    - Planning the opening of domestic long-distance phone services, housing & real estate & retail-trading sectors to foreign direct investment
  - Reforms meet resistance from bureaucrats, unions, farmers, and industrialists (who have lived comfortably behind protective tariff walls that excluded competition)
  - India still has a difficult business environment:
    - Tariffs are well above those of developing world norms
    - Inadequate protection of intellectual property rights remains a serious concern
    - Anti-business attitudes of India's federal & state bureaucracies continue to hinder potential investors and plague their routine operations
    - Policymakers have dragged their feet on selling money-losing state-owned enterprising making labour laws flexible & deregulating banking
    - Widespread corruption & a deeply ingrained system of bribery make every transaction complicated & expensive
  - Has a diverse industrial base & developed into a major global center for computer software
  - Major exporter of technical talent to Canada, the us & Britain

Chapter 11 – Developing International Marketing Strategies

Products within categories such as agriculture are sold to consumers through distributors but counted as industrial goods because of quirks in the prevailing statistical reporting systems.

Industrial goods are more important in terms of volume, but consumer goods are vital in exports by smaller firms.

Canadian exports of consumer goods are about evenly split among the 3 major categories:

- Durable → cars & computers
- Nondurables → food, drugs, & toys
- Services → tourism, telecommunications, & cultural exports

Countries are using technology as economic leverage and many are able to leap several stages of economic development in a short time – a good indicator for this is the quality of he education system.

Many Asian countries have been in a state of rapid economic growth over the last 30 years or more - these countries will demand the latest technology to expand their industrial bases & build modern infrastructures.

A key different between developed and emerging markets is that the latter are now beginning to buy products that have been long considered "staples" in the former (cars, toys, DVD players) while consumers in the industrialized world keep looking for ever more advanced versions of existing products, services & goods to satisfy new needs.

As demand for goods grow, so does competition for it.

The companies with the competitive edge will be those whose:

- Products are technologically advanced
- Meet the quality requirements of buyers
- Satisfy the particular preferences of consumers within and across nations
- Are accompanied by world-class service

Demand for consumer durables is volatile but in industrial markets 2 other factors come into play:

- Professional buyers tend to be few in number & often act in concert
- Derived demand accelerates the market swings

Example → Computer manufacturing companies monitor demand for PCs, prices of components and changes in customer markets or supplier prices. Declines in PC demand or supplier prices cause them to stop buying and wait for further price cuts. If a market upswing is forecast, companies accelerate purchases of components to make its products. All buyers are monitoring the same data, so they break or accelerate simultaneously.

Derived Demand**:** demand dependent on another source

Industrial firms can take several measures to manage inherent volatility, including having a broad product line & country portfolios so that each line can help buffet the others in hard times

The increasing globalization of markets will tend to increase the volatility in industrial markets as purchases from emerging countries become grater, buyers become better informed, and purchasing agents around the world act with even greater simultaneity

Industrial markets are also affected by the fact that, since orders are often very large, many sales & purchases involve in huge bets.

In most international markets the cost-quantity (value) relationship of a product is among the most important criteria by which purchases are made

Quality is also a deciding factor

Quality: can be defined on two dimensions:
- Market-perceived quality (consumer perception has more to do with this)
- Performance quality (vary across markets)

A product that exceeds expectations is also of "poor" quality since by definition it does not deliver what is being asked.

Different countries have different standards → in other words: Ikea provides the exact number of screws needed & provides an exact weight to how much the furniture can withhold. North American manufacturers give some leeway (withstand more weight more than specified and provide extra parts).

The US presents 2 major areas of concern for Canadian exporters:
- Lack of common standards across the country for highly specialized equipment (ex. machine tools & computers)
- Use of the imperial measurement system

If the EU implements its decision to bar nonmetric imports, many US products will lose access to the market (due to not adopting the metric system)

ISO 9000: a certification that a company has in place a quality control system to ensure it meets published quality standards.
- There are new ISO codes depending on industry
- Certification of the production process (does not apply to specific products)

ACSI: American Customer Satisfaction Index measures customers' satisfaction and perceptions of quality of a representative sample of US goods & services

Green marketing: concerns with the environmental consequences of marketing & consumption activities
- Europe is at the forefront of this → strong public opinion & specific legislation

The global trend suggests that int'l marketers would be well advised to incorporate green marketing as a quality parameter when designing their products.

Generally, the methods available for identifying international customers in the business market are the same as for domestic markets:
- Mailing lists
- Corporate contacts
- Gov't services
- Personal referrals
- Etc

Standard Industrial Classification (SIC): uses hundreds of industrial categories and sub-categories, ranging from extractive industries to services, to classify goods

North American Industry Classification System (NAICS)**:** created in conjunction with NAFTA. NAICS provides common definitions of the industrial structure of the three countries and a common statistical framework for analyzing their economies.

The market relates to much more than a product's physical form and primary function.

The physical features are generally in demand across all cultures and only a few changes may be required when moving from one culture to another.

The adoption of some products by consumers can be affected as much by how the product concept conforms with norms, values, and behaviour patterns as by its physical or mechanical attributes

The greater the cultural differences between any two markets, the greater the extent of production adaption that may be necessary

Innovation**:** any idea perceived as new by a group of people

Diffusion of Innovation: the process by which innovation spreads

A critical factor in the newness of a product is its effect on established patterns of consumption and behaviour.

The greater the difference between the new product and already available ones, and the greater the need to adopt one's behaviour in order to use the new product, the greater one's resistance to the change suggested by the marketer will be

Although a new product may ultimately be accepted, the time it takes for a culture to learn to accept it is of critical importance since planning reflects a time frame for investment and profitability.

Crucial elements in the diffusion of new ideas are:
1. An innovation
2. Which is communicated through certain channels
3. Over time
4. Among the members of a social system

The element of time differentiates diffusion from other types of communication research

At least three variables affect the rate of diffusion of an object:
1. The degree of perceived newness
2. The perceived attributes of the innovation
3. The method used to communicate the idea

The degree of acceptance or resistance is affected by a product's:
1. Relative advantage – the perceived marginal value of the new product relative to the old

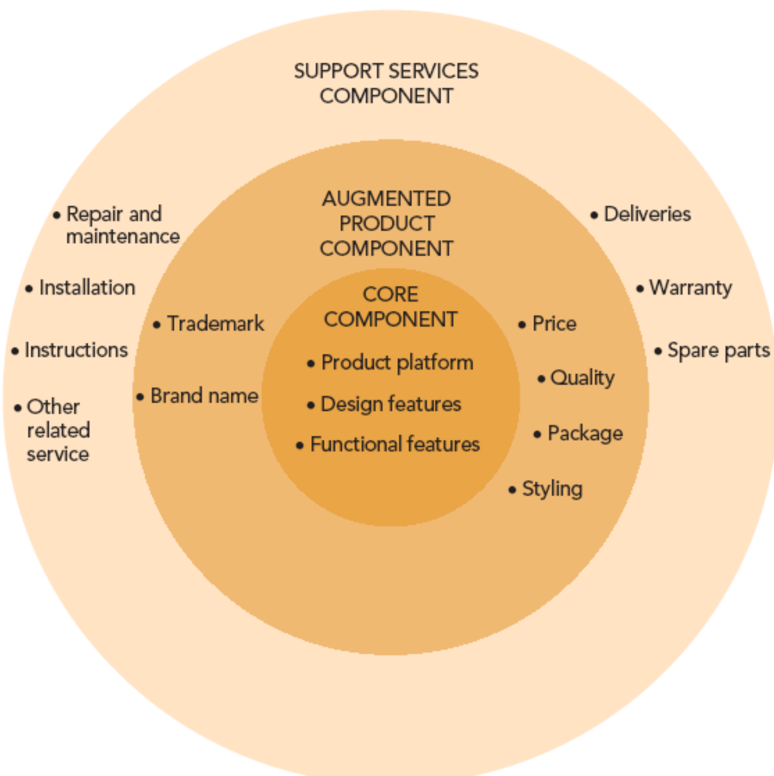
2. Compatibility – with acceptable behaviours, norms, values, etc
3. Complexity – associated with product use
4. Trialability – whether a product's benefit can be ascertained before the buyer commits to purchase it
5. Observability – the ease with which the product benefits can be communicated

In general, the rate of diffusion is positively related to relative advantage, compatibility, trialability, and observability and negatively related to complexity

The more congruent product perceptions are with current cultural values, the less resistance there will be and the more rapid product diffusion will be

The pioneer brand advantage often delivers long-term competitive advantages in both domestic and foreign markets

Product Component Model



Core Component**:** the impact of the cultural, physical, and mandatory factors that affect a market's acceptance of a product (intrinsic characteristics)

- Major adjustments may be costly because a change in plat form can affect product processes and require additional capital investment
- Functional features can be added or eliminated depending on the market

Augmented Product Component: consist of product-related features that serve to "package" it for presentation to the market

- Packaging components frequently require both discretionary & mandatory changes
- Size, colour, humidity, shelf space, etc are factors to think about for packaging
- Package labels may incorporate symbols that convey an unintended meaning and thus must be changed

Support Services Component**:** necessary to enable the buyer to begin and continue using the product satisfactorily

- Many successful marketing programs fail because little attention was given to this component
- Repair and maintenance are difficult in developing countries so products may have to be adjusted to require less-frequent maintenance
- Literacy rates and education levels of a country may require a firm to change a products usage, or assembly and installation instructions

Product adaption is prompted by cultural factors at a consumer level and by physical or mandatory requirements that reflect prevailing conditions in a given market

- i.e. mandatory adaptions affect core product components rather than augmented or support services components

Industrial goods are more amenable to standardization.

There are 4 unique characteristics of services that require special consideration:

- intangibility
- inseparability – its creation cannot be separated from its consumption
- heterogeneity – it is individually produced & is unique
- perishability – once created it cannot be stored but must be consumed simultaneously with its creation

The vast majority of services enter foreign markets by licensing, franchising, joint ventures, and other alliances or direct investment

4 kinds of barriers face services marketers in this growing sector of the global marketplace:

- protectionism
    - countries generally have been more amenable to the idea of allowing foreign product imports than permitting foreign nationals to work within their borders
    - restrictions designed to protect local markets range from not being allowed to do business in a country to requirements that all foreign professionals pass certification exams in the local language before being permitted to practice
- restrictions on transborder data flows
    - the EC is concerned that data on individuals (ex. income, spending preferences, debt repayment histories, medical conditions, and employment data) are being collected, manipulated and transferred between companies with little regard to the privacy of the affected individuals
- protection of intellectual property
    - the issue of pirated trademarks, processes, copyrights and patents
- cultural barriers and adaption

- trade in services involves more people-to-people contact so culture plays a bigger role
- international services marketers will have to be creative in responding to the legal and cultural challenges of delivering high-quality services in foreign markets & to foreign customers at domestic locales, but the markets are there for those willing to compete in them

Top consumer services exports include:

- transportation
- financial services
- education
- telecommunication
- entertainment
- information
- health care
- tourism & leisure

For many industrial products the revenues from associated services exceed the revenues from the products (ex. cell phones where the physical product is given away but paying for contract)

Businesses buy a variety of services that are not associated with products, from advertising and research agencies, law firms, transportation & insurance companies, oil field services, banks, and health care providers.

After-Sales Services**:** effective competition abroad not only requires proper product design, but effective service, prompt deliveries, and the ability to furnish spare and replacement parts without delay.

- In highly competitive markets like the US and EU it is imperative to meet or exceed the service that domestic companies offer
- Industrial customers want to know they can depend on quick, efficient responses from companies
- When existing suppliers don't deliver, buyers often turn to substitute parts made by other firms

Other Business Services:

Client followers**:** establishing a brand or acquire local affiliates abroad to serve their international clients and service providers following firms/business traveller abroad

Because some business services have intrinsic value that can be embodied in some tangible form (ex. blue print or architectural design) they can be produced in one country and exported to another

Global branding is becoming one of the key drivers of firm growth in markets throughout the world.

Global Brand: the worldwide use of a name, term, sign, symbol (visual or auditory), design, or combination thereof intended to identify goods or services of one seller and to differentiate them from those of competitors.

- Requires both product & services be positioned in the same way across markets, even though the message itself may be slightly different, or delivered differently

The brand name encompasses the years of advertising, good will, quality evaluation, product experience, and other beneficial attributes the market associates with the product.

Branding allows:

- Communications between company and customers to be homogenized, thus reducing the need to customize messages and images
- It generally follows a focused strategy of targeting to specific customers, thereby allowing longer production runs and the selection of the proper number and optimal size of production facilities
- A successful international branding strategy reduces distribution costs since production standardization makes transportation, storage, and inventory management more efficient

To carry out global branding programs, organizations must be capable of centralizing the concept development and strategy formulation process, while decentralizing, where and as necessary, product particulars and the delivery of the message to customers

The relatively small number of Canadian brands on the Interbrands global top 100 list reflects a combination of 3 factors:

- The country's commodity orientation and the erroneous belief that commodities do not need to be branded
- The relatively smaller size of Canadian firms and of Canada and its economy overall, compared to much larger countries such as Japan, Germany and the US
- The delayed adoption of a belief in the value of branding by Canadian marketers in large corporations

Some brand names do not translate well

Depending on the type of product, the diversity or convergence of market needs and preferences for it, and a variety of other factors, a company may be able to develop a brand that is reasonably global in terms of both its content & consumer recognition, or, in the alternative, it may use different brands but coordinate them internationally so that their image and the positioning strategies behind them do not at least conflict with one another.

Product-Country Image (PCI): any influence that the country of manufacture, assembly, design or other association of a product may have on a consumer's positive or negative perception of it

A finding in a recent study suggested that more knowledgeable customers are more sensitive to PCI than those less knowledgeable

Women are more likely to respond to PCI than men

Chapter 13 – Int'l marketing mix – pricing

Price is highly visible, unlike product characteristics that need to be researched.

Unlike any other mix element Price is measurable and comparable

Whether exporting or managing overseas operations, the marketer's responsibility is to set and control the actual price of goods in different markets characterized by different sets of variables: different tariffs, costs, attitudes, competition, currency fluctuations, methods of price quotation and more

Characteristics in foreign markets and home country can have an impact on the firms pricing decisions and success:

- Inflation/Deflation – in countries with rapid inflation the selling price must be related to the COGS and the cost of replacing the items. Deflation results in decreasing prices and creates a positive result for consumers but it puts pressure on everyone in the supply chain to lower costs
- Currency exchange rates – all major currencies are floating freely relative to one another, no one is quite sure of the future value of any currency
  - Whenever currencies fluctuate dramatically, regulatory authorities are pressed by public opinion to intervene and stabilize the situation
- Administered pricing**:** an attempt to establish prices for an entire market. The end goal of all administered pricing is to reduce the impact for price competition or eliminate it
  - When the government enters the field of price administration they presume to do it to protect consumers from too little or business from too much competition
  - *Government Influences:* governments establish margins, set prices & floors, restrict price changes, compete in the market, grant subsidies, and act as a purchasing monopsony or selling monopoly to control prices
    - May also influence prices by permitting or encouraging businesses to collude in setting manipulative prices
- Competitive Influences & Cartels: Pricing arrangements are known as: agreements, arrangements, combines, trusts, conspiracies, cartels, communities of profit, profit pools, trade associations, price leadership, customary pricing, or informal interfirm agreements
  - *Cartels:* exists when various companies producing similar products / services work together to control their markets
    - The cartel association may use formal agreements to set prices, establish levels of production and sales for the participating companies, allocate market territories, and even redistribute profits.
    - Consumer doesn't benefit from cartels
    - Inability to maintain control for indefinite periods

Price Ceilings: intended to protect consumers from price gouging
Price Floors**:** intended to forestall "destructive" competition

Besides having to meet price competition country by country and product-by-product, companies have to guard against competition with their own subsidiaries, branches and distributors.

Parallel Importing: When importers buy products from distributors in one country and sell them in another to distributors who are not part of the manufacturers regular and authorized distribution system

- Sales are not illegal or underground market, goods are not counterfeit or contraband(since all sellers/buyers take legal ownership of legal merchandise, abide by all laws, and pay taxes)

Grey Marketing**:** sale to a market for which that particular merchandise was not intended is not authorized by the manufacturer

Exclusive distribution, a practice often used by companies to maintain high retail margins in order to encourage retailers to provide extra service to customers, to stock large assortments, or to maintain the exclusive-quality image of a product, also creates ideal conditions for lucrative grey markets

Price Escalation**:** higher prices in foreign countries often reflect the higher costs of exporting

- Deflation may help to reduce the price escalation effect, but inflation is much more common and helps to fuel it
  - Managers use techniques such as charging for extra services, inflating costs in intracompany pricing, or breaking up products into components to price separately to compensate for inflation
- Tariffs and other forms of taxes increase the price of all products in a category and add to escalation
- There are also a variety of administration costs associated with imports and exports
- Numerous costs variables can be identified depending on the market, the product, and the situation.
- Exporting incurs increased transportation costs
- Shipping over water has additional costs for insurance, packing, and handling at the ports of origin and destination (ex. loading/unloading, special harbour/wharfage fees) that are not added to domestically sold goods

The diversity of channels and the lack of standardized intermediary markups leave many producers unaware of the ultimate price of a product. There are various unanticipated cots because distribution channels infrastructures are underdeveloped in many countries; added expenses for warehouses and handling of small shipments may be necessary and have associated higher financing costs when dealing with under-financed intermediaries.

Level of Tariff**:** typically expressed as the rate of duty and may be levied as a specific (a flat charge per physical unit imported), ad valorem (a percentage on the value of the goods imported) or compound rate (both a specific and an ad valorem charge)

Smaller exporters may and often do use a much longer array of distributors in trying to move their product from manufacturing plant to foreign consumer.

Unless a firm has a clearly thought-out, explicitly defined price policy, expediency rather than design establishes prices. The country in which business is being conducted, the type of product, variations in competitive conditions, and other strategic factors affect pricing activity

Price decisions are viewed in two ways:

- Pricing as an instrument of accomplishing marketing objectives
    - Company uses price to achieve a specific objective, whether a targeted return on profit, a targeted market share, or some specific goal
- Pricing as a static element in a business decision
    - Company probably exports only excess inventory, places a low priority on foreign business, and/or views its exports sales as passive contribution to sales volume

Exporters have to adjust prices because of inflation in their home country or host countries or both

When payment is likely to be delayed for several months or is worked out on a long-term contract, inflationary factors must be figured into the price.

Strategies used by marketers to deal with inflation/deflation include:
- Reducing or at least containing costs
- Being careful when making price quotations and signing supply contracts
- Accepting reduced margins at least temporarily
- Work to maintain and if possible increase brand value and to retain or win the trust of customers

Firms need to take a proactive stance regardless of whether their domestic currency happens to be strong or weak at a particular point in time relative to the respective currencies in foreign markets of interest

For exporters, the current CDN/USD dollar parity at the time of writing is particularly significant since the bulk of Canada's exports go to the US market. In the short and medium term, this may have a dampening effect on exports. In the long-term it may have the beneficial effect of encouraging exports to look more carefully into their cost structure, use more technology to reduce costs, and focus more on brand loyalty than price, thus also making them more competitive globally.

Low Canadian dollar helped exports soar and led to complacency

Int'l firms must also monitor carefully, on an on-going basis, the currency relationships between not only their own but also their major competitors' domestic markets in comparison to commonly sought-after foreign targets.

The problems or benefits from currency fluctuations are generally transitory, companies with long-range plans calling for continued operation in foreign markets need to focus on two relevant aspects:
- Concerning pricing specifically, they must take comparative currency values into account seriously and carefully if they are to remain price-competitive regardless of temporal swings
- Concerning their overall strategy, they must just as carefully review their entire operations to ensure that the factors that underlie and help to determine prices, such as

their brand value, cost structure, or mode of operation in foreign markets (ex. exports VS licensing or investment) are as efficient and effective as possible

When Domestic Currency Is WEAK . . .

- Stress price benefits
- Expand product line and add more-costly features
- Shift sourcing and manufacturing to domestic market
- Exploit export opportunities in all markets
- Conduct conventional cash-for-goods trade
- Use full-costing approach, but use marginal-cost pricing to penetrate new/competitive markets
- Speed repatriation of foreign-earned income and collections
- Minimize expenditures in local, host-country currency
- Buy needed services (advertising, insurance, transportation, etc.) in domestic market
- Minimize local borrowing
- Bill foreign customers in domestic currency

When Domestic Currency Is STRONG . . .

- Engage in nonprice competition by improving quality, delivery, and after-sale service
- Improve productivity and engage in vigorous cost reduction
- Shift sourcing and manufacturing overseas
- Give priority to exports to relatively strong-currency countries
- Deal in countertrade with weak-currency countries
- Trim profit margins and use marginal-cost pricing
- Keep the foreign-earned income in host country and slow collections
- Maximize expenditures in local, host country currency
- Buy needed services abroad and pay for them in local currencies
- Borrow money needed for expansion in local market
- Bill foreign customers in their own currency

Trademark owner disadvantages:

- Parallel imports can do both short-term and long-term damage – customers who unknowingly buy unauthorized imports are not sure of the quality of the item they buy, of warranty support or of authorized service or replacement parts
- Purchasers of grey marketed computers may not be able to get parts because authorized dealers have no obligation to service these computers.
- Original manufacturer or its subsidiary does lal the advertising for its authorized sales in a country
- Its promotion efforts and costs indirectly help the sales of the grey marketer, encouraging purchases of a product which may not meet the desired market standards in terms of quality and design
- Every grey-marketed product sold means one less authorized product sold, leading to dissatisfaction among the manufacturer's authorized distributors

Parallel marketer benefits in two ways:

- It can undercut the authorized distributor's price significantly, because of the conditions that enabled grey marketing in the first place, thus ensuring high sales
- It can achieve these sales while incurring much lower marketing costs, thus realizing higher margins and profits in spite of its lower selling price

To restrict grey markets:

- Some manufacturers write product warranties in such a way that they are not transferable across countries

- Monitor their distributors in each country to ensure they will not service products bought in another
- Eschewed the trend toward multilingual packaging, labeling, and usage instructions, to make it difficult for consumers to buy and use a product in one country if it was clearly meant for another
- Careful selection of distributors, followed by concrete and on-going efforts to build and maintain a close relationship with them, and by establishing a pricing structure that provides them with satisfactory profits

If costs can be reduced anywhere along the distribution chain, price escalation will be reduced
- Lowering the cost of goods
- Lowering tariffs
- Lowering distribution costs
- Using foreign trade zones to lessen price escalation

One of the important reasons for manufacturing in a 3rd country is to attempt to reduce manufacturing costs and thus price escalation.

Eliminating costs functional features or even lowering overall product quality is another method of minimizing price escalation
- Some products the quality & additional features required for developed home market may not be necessary in countries without the same level of development or consumer demand

To lower tariffs some products can be reclassified into a different, and lower, customs classification
- The classification of products varies not only within but also among countries
- A good customs broker will determine the lowest possible import duty for the products a company wants to import into a foreign country and persuade the customs agent
- It may be possible to modify a product to qualify for a lower tariff rate within a tariff classification
- Repackaging may help lower tariffs since the rates often differ for different package sizes

Shorter channels can help prices under control → designing a channel that has fewer intermediaries may lower distribution costs by reducing or eliminating markups
- Fewer intermediaries may mean lower overall taxes

Cumulative Value-Added-Tax (VAT): based on total selling price and is assessed every time the goods change hands
Noncumulative VAT: tax alone provides a special incentive for developing short distribution channels

Foreign Trade Zones is a tax-free enclave in which imported goods can be stored or processed
- Benefit of the FTZ in controlling prices is the exemption from duties on labour and overhead variety of ways
    - Ex. tariffs may be lower:

- because duties are typical assessed at a lower rate for unassembled VS assembled goods
- if labour costs are lower in the importing country, substantial savings may be realized in the final product cost
- ocean transport rates are affected by weight and volume, and so unassembled goods may qualify for lower freight rates
- if local content such as packaging or component parts can be used in the final assembly there may be further reduction

Transfer/Intracompany Prices: prices of goods transferred from a company's unit in one country to its units elsewhere may be adjusted to enhance the ultimate profit of the company as a whole. Benefits include:

- lowering duty costs by shipping goods into high-tariff countries at minimal transfer prices so that duty base and duty are low
- reducing income taxes in high0tax countries by overpricing goods transferred to units in such countries; profits are eliminated and shifted to low-tax countries
- enabling the use of such profit shifting for "dressing up" financial statements, by increasing reported profits in countries where borrowing and other financing are undertaken
- Facilitating dividend repatriation when it is curtailed by gov't policy. Invisible income may be taken out in the form of high prices for products or components shipped to units in that country

The overall objective of the intracompany pricing system:

- Maximizing profits for the corporation as a whole
- Facilitating parent-company control
- Offering management at all levels an adequate basis for maintaining, developing & receiving credit for their own profitability

Transfer prices that are too low or too high are unsatisfactory to the product or int'l divisions, respectively because the overall results of one or the other look poor. But from the firm's perspective when customs duties and other taxes are high, there is a strong incentive to trim fiscal liabilities by adjusting the transaction value of goods and services between subsidiaries

Pricing low cuts exposure to import duties; declaring a higher value raises deductible costs and thereby lightens the corporate tax burden. The key is to strike the right balance that maximizes savings overall

Four arrangements for pricing goods for intracompany transfer are:

1. Sales at the local manufacturing cost plus a standard markup
2. Sales at the cost of the most efficient producer in the company plus a standard markup\
3. Sales at negotiated prices
4. Arm's length sales using the same prices as quoted to independent customers
    - Most acceptable to tax authorities and most likely to be acceptable to foreign divisions, but the appropriate basis for intracompany transfers depends on the nature of the subsidiaries and market conditions

Underreporting profits is a serious offence in Canada, and heavy fines are imposed for those who break the rules. The only certain way to avoid substantial penalties is to enter into an Advanced Pricing Agreement (APA) with the CCRA, which will be applied to some or all of a taxpayer's transactions with affiliates

Variable-Cost/Marginal-Cost Pricing: the firm is concerned only with the marginal or incremental cost of producing goods to be sold in overseas markets

- Regard foreign sales as bonus sales and assume that any return over their variable costs makes a contribution to net profit
- May be able to price most competitively in foreign markets but because they are selling products abroad at a lower net prices than they are selling them in the domestic market, they may be subject to charges of dumping
- Practical approach to pricing when a company has high fixed costs and unused production capacity

Full-cost pricing**:** no unit of a similar product is different from any other unit in terms of cost and that each unit must bear its full share of the total fixed and variable cost

- Suitable when a company ahs high variable costs relative to its fixed costs
- Prices are often set on a cost-plus basis that is total costs plus a profit margin

Dumping**:** defined in two ways depending on whether a product is sold internationally below its *cost of production* or below its *selling price in the home market*

- WTO rules the imposition of a dumping duty when goods are sold at a price lower than normal export price or less than the cost in the country of origin, increased by a reasonable amount for the cost of sales and profits, when this is likely to be prejudicial to the economy of the importing country
- Dumping is more likely to become an issue when world markets are weak
- Prices are maintained in the home-country market and reduced in foreign markets
- Assembly in the importing country is one way to lower prices and avoid dumping chargers or to alter the product so that the technical description fits a lower duty category

Countervailing duty/minimum access volume (MAV): restricts the amount a country will import, may be imposed on foreign goods benefiting from subsidies whether in production, export or transportation

For countervailing duties to be invoked, it must be shown that prices are lower in the importing country than in the exporting country and that producers in the former are being directly harmed.

Skimming prices: when its target is a relatively price-insensitive market segment, there is limited supply, or it is the only seller of a new innovative product and competition has not yet arrived to move it closer to maturity in its life cycle

- In int'l markets, skimming often is used where there are only two income levels (wealthy & poor)

- Costs prohibit setting a price that is attractive to the lower-income market, so the marketer charges a premium price and directs the product to the high-income relatively price-insensitive segment

Penetration pricing**:** commonly used to capture market share

- Markets experiencing rapid and sustained economic growth and where large shares of the population are moving into middle-income classes, it may be used to stimulate overall market growth even when competition is still minimal
- May be more profitable strategy than skimming fi ti maximizes revenues and builds market share, helping to create a barrier for future competitors

Pricing decisions that were appropriate when companies directed their marketing efforts toward single market segments will give way to more sophisticated practices. As countries prosper and incomes become more equitably distributed, multiple market segments develop

There are two extreme cases with many variants in between of pricing decisions in relation to its own VS the customer's location:

- FOB (Free on Board): seller delivers the product at its location and the customer is responsible for moving it to the final destination, including not only the transportation cost but also any risks that may be involved during transport
- CIF (Cost, Insurance, and Freight): seller undertakes to deliver the product to the customer's location and cover all the associated costs and risks to that point

Three fundamental differences in int'l markets:

1. The costs and risks involved are in most cases much greater, given the greater distances involved
2. The number of variant strategies is much larger, and the meaning of the various terms used to describe them often differs between domestic and int'l applications
3. The strategic importance of the choice involved is much greater, since customers as well as competitors may be spread across the world, rather than both operating within the relatively narrow confines of a domestic market

Three main strategic approaches:

1. Accept that it cannot compete effectively and focus on similar customers elsewhere where tables are reversed
2. Long term – invest in a production facility in the host country to be closer to customers

Exporter is forced to abandon the price decision and convert it to market segmentation or mode of expansion

3. Pricing decision – study competitors pricing structure, try to find transportation cheaper than the original quote, and/or examine how it can reduce the manufacturing costs
    - Fundamental change not only to its price level but also its pricing strategy, from FOB to CIF

A selling technique to alleviate high prices and capital shortages for capital equipment is the leasing system.

- Used by industrial exporters is similar to the typical lease contracts used in Canada

Disadvantages of leasing

- Lease contracts that include maintenance and supply parts can lead to heavy losses toward the end of the contract period
- Countries where leasing is most attractive are those where spiralling inflation is most likely to occur
- Currency devaluation, expropriation or other political risks are operative longer than if the sale of the same equipment is made outright

Countertrade**:** pricing tool that every international marketer must be ready to use

Types of Countertrade:

- Barter – direct exchange of goods between two parties in a transaction
- Compensation deals – payment in goods and in cash
- Counterpurchase – seller agrees to sell a product at a set price to a buy and receives payment in cash
- Product buy-back agreement – sale involves goods or services that produce other goods and services

Problems of countertrade

- Determining the value of and potential demand for the goods offered
- Inadequate time to conduct a market analysis

Several barter houses have internet auction sites and a number of internet exchanges are expanding to include global barter

Terms of sale: seller bears the responsibility to

5 most frequently used terms of payment in foreign commercial transactions are:

- Letters of credit – shift the buyers credit risk to the banks that issue them
    - seller ordinarily can draw a draft against the bank issuing the credit and receive dollars by presenting proper shipping documents
    - irrevocable LOC means that once the seller has accepted the credit, the buyer cannot alter it in any way without permission of the seller
    - not a guarantee of payment
- Bills of exchange – seller assumes all risk until the actual dollars are received
    - Have one of three time periods – sight, arrival or date
- Cash in advance – used when credit is doubtful when exchange restrictions within the country of destination are such that the return of funds from abroad may be delayed for an unreasonable period, or when the exporter is unwilling to sell n credit terms
- Open accounts – leave sellers in a position where most of the problems of int’l commercial finance work to their disadvantages
- Forfaiting – financing technique for situation such as when inconvertible currencies and cash-short customers can kill an int’l sale if the seller cannot offer long term financing
    - Seller makes a one-time arrangement with a financial institution to take over responsibility for collecting the account receivable

  - Exporter offers a long financing term to its buyer, but intends to sell its account receivable at a discount for immediate cash
  - Forfeiter buys the debt, typically a promissory note or bill of exchange, on a nonrecourse basis
  - Once the exporter sells the paper, thee forfeiter assumes the risk of collecting the importers payments

Chapter 14: Int'l Marketing Mix: Integrated Communications

Integrated marketing communications: composed of advertising, personal selling, sales promotion, trade shows and missions, direct selling, publicity, and public relations to fulfil the objective of the successful marketing of a product or service

2 key points of mass communication (the state of int'l advertising):

1. Global advertising has grown phenomenally over the past 50 years, specifically 60 – 80 percent per year
2. While the U.S. was and continues to be the world's largest location of advertising spending by far, its relative position has declined from 69% to 36% of the world's total
   - This non us growth only started in the last 2 decades thanks to technology
   - The global spending split of the top 100 advertisers and of all measured advertising globally where 62% and 64% of the respective totals spent outside the U.S.

Cultural differences: of all the decisions in the marketing mix cultural, differences are the most important. Consumers respond in terms of their culture, it beliefs, styles feelings, attitudes, and perceptions

Basic framework for international marketing

1. Research the market
2. Specify the goals of the communication
3. Compose and secure a budget
4. Develop the most effective message(s) for the market segments selected
5. Select effective media
6. Execute the campaign
7. Evaluate it relative to the goals specified

Advertising strategy and goals

Intense competition for world markets and the increasing sophistication of foreign consumers has led to a need for more sophisticated advertising strategies.

- Increased cost
- Problems for coordinating advertising programs in multiple countries
- Desire for broader company or product image
- Seeking greater control and efficiency without sacrificing local responsiveness
- Multinational companies are managing the balance between customization and standardization given the current trends among firms for favouring the latter
- Even if the products are standardized, different cultures still requires a different advertising appeal

Two market segmentation strategies that ignore boarders globally

1. Product benefits and attributes segmentation: different cultures often seek the same value of benefit from the primary function of the product, but differ in assessing its features and attributing psychological meaning to it
2. Marketers need to utilize harmonization, or proper brand and advertising architecture. There are 4 specific ways
    a. Case 1: *A product currently branded as an A in one market and B in another, marketed differently in each, and for various cultural and market reasons needing to stay that way.* The marketer has to stay with customization and avoid multi-country media
    b. Case 2: *a product currently branded and marketed uniformly in all regional markets.* Marketing will continue as before, and essentially identical advertisements can be placed in both pan-European and local country media
    c. Case 3: *A product now fallows a customization strategy buy, for various corrupt reasons, needs to be satisfied.* Manufacture needs to decide on a standardized strategy and continue on as in case 2
    d. Case 4: *A product currently branded and marketed differently across markets, as in Case 1, but with the marketer wanting to achieve as much standardization as possible without sacrificing local responsiveness.* Settling on a common brand name across markets is a necessity which will require a careful strategic shift of existing brand names to the new one. Next a two-tier advertising can be implemented:
        i. A common umbrella strategy for cross market media
        ii. Coupled with customized advertising for national media.

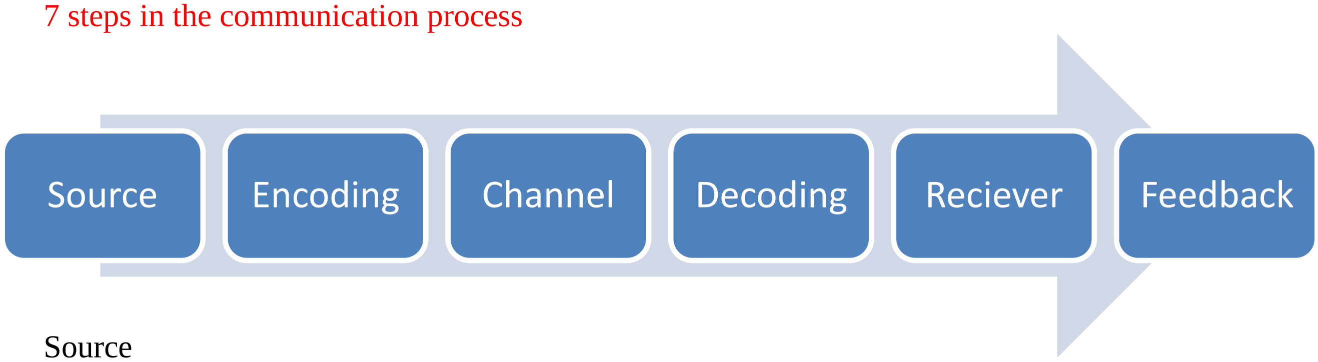
As long as the latter does not conflict with the former

The message: Creative challenge

The effectiveness of a promotional strategy can be jeopardized in so many ways, that marketers must be certain no controllable influences are overlooked

Global advertising and the communications process

7 steps in the communication process



Source

Effective communication demands the existence of a Psychological overlap between sender and receiver

- A message falling outside the receiver's perceptual field may transmit an unintended meaning
- most international promotional misfires are attributed to one of several of the elements of communication not properly reflecting cultural influences or to a general lack of knowledge about the target market
- the message to be conveyed should reflect the needs and wants of the target market; however the actual market needs and the marketers perception of them often do not coincide
    - this is especially true when the marketer relies on more the self- reference criterion (SRC: if it sells in one country, it will sell in another) instead of on effective research

Encoding: this step includes such factors as; colour, timing values, beliefs, humour, tastes, and appropriateness of spokesperson, language, literacy, perceptions, and other cultural factors than can cause the international marketer to symbolize the message incorrectly causing:

- the decoded meaning at the other end being substantially different than the encoder intended
- the intended symbolism will have no meaning what so ever to the decoder

Channel

- problems arise when the communication channel being used originates or be located in the sender rather than the receivers country
- Issues may also occur when the channel is the company's sales force. With other channels the message is guaranteed to be the same but with personal selling, each sales person may add their own little "twist"
    - this is also true with the trend of using an expatriate sales force instead of locals who understand the people better

Decoding - apparently they already discussed this and the text doesn't deem it as important so fuck them

Feedback - testing an ad before and after it is presented to the market allows a company to correct errors before substantial damage occurs, and brand image awareness studies along with sales volume and other metrics can help to test its long term effectiveness

Noise - Frequently beyond the control of either sender or receiver and can be created form external non-market events, competitive advertising, and other factors.

Communication issues:
Linguistic Limitations: one of the major barriers to effective communication through advertisements

- different languages of different countries
- different languages or dialects within one country
- the subtler problems of linguistic nuance and vernacular

- varying literacy levels
- the fact that many countries languages are considered a substantive issue of cultural and national pride and preservation

Cultural Diversity: presents one of the greatest creative challenges for marketers.
- If perceptual framework is different, perception of the message itself differs
- Subcultures within a country require attention to

Media Limitations: Limitations on message strategy imposed on media may diminish the role of advertising in the promotion program and may force marketers to emphasize other elements of the promotional program
- Creative advertisers in their own countries even developed their own media

Production and Cost limitations: creativity is especially important when budgets is small or where there are sever production limitations

Legal constraints: a variety of laws and regulations which differ from those at home and from country to country constrain the international marketer's flexibility in creating effective advertising messages.

Media Planning and Analysis

Strategic and Tactical Considerations: In international marketing, and advertiser must consider the availability, coverage, appropriateness, and cost of the media. Moreover recent research demonstrated that media effectiveness varies across cultures and product types.

- Availability: one contrast of international advertising is that some countries have to few advertising media and some to many. Some countries certain advertising media are forbidden by government edict to accept some advertising materials
- Coverage: one issue is the difficulty of reaching certain sectors of the population with advertising, and the other is the lack of information on coverage
- Appropriateness: verification of circulation of coverage figures is a difficult task and the accuracy of circulation and audience data is uncertain
- Cost: all of the above issues add to the cost of advertising and often make it more critical concern abroad than it is a home

An overview of specific media:
1. Newspaper: the industry is suffering in some countries from lack of competition and choking because of too much of it in others
2. Magazines: the use of foreign magazines by international advertisers is notably low because the number of magazines is small and few of them have a large circulation or provide dependable circulation figures
3. Radio and Television: these two are major communication media in most nations. Radio is relegated to a subordinate position in countries where television facilities are well developed, in many countries radio is a particularly important and vital advertising medium when it is the only one reaching large segments of the population

- Countries with free competitive commercial radio and television normally encourage competition and have minimal broadcasting limitations, elsewhere local or national monopolies are granted by the government and individual stations or networks may than accept commercials according to the established rules

4. Direct Mail: a viable medium in an increasing number of countries and is especially important when other media are not available, its effectiveness depends heavily on a countries mailing system and the availability of accurate mailing lists
5. The Internet: still evolving the internet is a viable medium for advertising and should be included as one of the media in a company's media mix
   - Since the internet is not delineated by national boundaries, consumers from many different countries can and do use websites all around the world
6. The new social media: WOM advertising and peer recommendations have always been powerful influencers on brand choice but coupled with the internet they can be powerful marketing tools
   - Consumer generated content is beginning to have an impact on brands
7. Other Media: in countries where technology and resources are not readily available to the population, marketers have to be creative to reach its masses. This also applies in countries where television and other main stream media outlets are losing their effect, marketers have to come up with new ways to get attention
   - Ex. The pizza hut billboard that appeared on an Russian portion rocket
   - The sound trucks in south Africa

Advertising agencies in campaign development and execution: in most commercially significant countries one can employee a local domestic agency or a local branch of one of the multinational agencies. Agency-company relationships can be quite fragile for 2 reasons:

1. Relationships with marketing firms tend to be long term and more often than not take the form of a partnership with a common goal of achieving brand objective
2. Second an advertising agency, by contract, cannot handle two directly competing brands at the same time and, as a result, when agencies merge and expand awkward situations often arise.

Ex. If two separate local agencies are represent two separate competing brands but than an international agency acquires both local agencies and they are under one name, one of the local agencies must be fired by their company.

Intrapersonal communication: Personal selling and sales management in international markets

- A sales person is a company's most direct tie to a customer, in the eyes of most customers the sales person is the company. Personal selling includes 3 main types of sales personnel.
  1. Order getters: sales people who are the back bone in virtually all B2B selling. From pharmaceutical goods to representatives who sell to supermarkets
  2. Order takers: from fast food counter people to people who staff telephone centers
  3. Missionary salespeople: who provide sales and technological support and are an essential cog in modern society's business and economic machinery

Designing the sales force: based on analysis of current and potential customers the selling environment, competition, and the firms resources and capabilities decisions must be made regarding the numbers, characteristics, and assignments of sales people

Criteria in designing a sales team: personal selling as a rule has to be localized for even the most global of corporations and industries. The size of the accounts, the nature of the product, and the nature of the target audience make a difference as well.

Composition of the sales force: The typical sales force for foreign markets can be requited from one or more of these 4 sources:

- Expatriate sales personal: sales people from the company's home country
- Third country nationals: sales people from another of the company's operations (in another country) who relocate to work in the target market
- Virtual expatriates: remain based in their home countries but travel extensively to target countries to preform sales tasks
- Local nationals

Some firms also use VRA's or Value-added resellers: firms that sell service and sometimes make similar products that can help foreign firms that do not have their own local presence

- If this country is not high on the strategic priority list compared to available resources

Designs of local Salesforce options: aka territory allocations and customer call plans. These are generally based on the target markets/countries culture and customs

Managing Sales personal abroad

Requiting:

- Expatriate staff are generally requited from within the company's ranks
- Local sales representatives and sales and marketing executives may be inherited from a joint venture or an acquired company.
    - Or part of a distributors organization
    - Or they may be requited for the company's specific purpose via the tradition media of advertising, employment agencies or executive search firms

Selection:

- What attracts them:
    - Expatriates may be attracted to foreign postings by higher compensation levels
    - The adventure of living and working abroad for extended periods
    - Glamour and fun of international travel
- What they need to have:
    - Comfort with separation from their familiar corporate environment and there families
    - Dealing with Frequent and tiresome travel
    - Difficulty of transplanting one's own self into another culture and re adjusting once assignment is over

Training:

- Expatriates: Already know the company, so they just need to be trained in the culture
- Local Nationals: Already understand the culture and need to be trained on the company products, technical info about the, its selling methods and any elements on the Canadian way of doing things

Motivation and Compensation:

- the motivation and possible compensations vary in value to the employees across cultures and extensive research should be performed to understand which methods will be the most effective

Evaluation and Control:

- The evaluation process is particularly complicated in relationship based cultures, where poor performers would normally be fired or quit, in cultures that are relationship orientated they stay with the company as a sort of family or duty

Other forms of international communication and Promotion

Sales promotion in international markets: refers to marketing activities that stimulate consumer purchases and improve effectiveness and cooperation with intermediaries

- Short term efforts directed to the consumer or retailer to achieve such objectives as:
    - Consumer product trial or immediate purchase
    - Consumer introduction to the school
    - Gaining retail point of purchase displays

International publicity and public relations: creating good relationships with the popular press and other media; with key figures in politics, business, or the arts, and with commonweal, charitable, or other similar organizations in order to help companies communicate messages to their publics

Trade shows: the primary vehicle for doing business in foreign countries, and it is the marketing activity of choice for thousands of smaller exporters as well as many larger firms. Not intended to generate on the spot sales, though this is possible, they are more geared toward:

- enabling the firm to reach prospective customers,
- contact and evaluate possible agents and distributors,
- obtain market information about the show's host country,
- and assess its competitors

Trade missions: are similar to trade shows but differ because they involve fewer firms, the purpose is more focused and often involves the signing of deals that have already been negotiated

- they may be organized by the government to help promote the originating country in the host nation

Chapter 15: Int'l Markets

Looking broadly across the several cultures, two lessons stand out:

- Regional generalizations very often are not correct (ex. Japanese and Korean negotiation styles can be very different)
- Most of the time Canadians are somewhere in the middle of negotiation styles

Cultural differences cause 4 kinds of problems in int'l business negotiations at the levels of:
- Language
- Nonverbal behaviour
- Values
- Thinking & decision-making process

Japan: style of interaction is among the least aggressive (most polite).

South Korea: used considerably more punishments and commands than did the Japanese
- No silent periods occurred between them, and they used 'no' and interrupted

China: information-exchange tactics
- Similar to Japanese
- Burgeoning literature on negotiations with the Chinese

Taiwan: asked few questions and provided more info (self-disclosures)
- Similar to south Korea, different from china & japan

Russia: used no and you infrequently and used the most silent periods of any group
- Different from other European groups and similar to Japanese

Israel: distinctive in three ways
- Used the lowest percentage of self-disclosures
- Highest percentage of promises & recommendations
- Most frequent references being to competitor's offers

Germany: center of all criteria in the survey
- But high in self-disclosure and low in questions

UK: similar to North Americans

Spain: highest percentage of commands, and gave little info
- Interrupted frequently each other
- Used no and you frequently

France: most aggressive
- Highest percentage of threats and warnings
- Used interruptions, facial gazing and no/you

Brazil: similar to French and Spanish
- Aggressive
- Used no/you frequently and touched one another on the arm

- Facial gazing is high

Mexico: different from Latin American or continental
- Similar to US

French-Speaking Canada: similar to France
- Lots of threats and warnings
- Many interruptions and eye contact
- Aggressive

English-speaking Canada: lowest percentage of aggressive persuasive tactics
- More interruptions and no’s

US: similar to Germans & British
- Interrupted less frequently

Values held strongly by most Canadians:
- Objectivity
- Competitiveness
- Equality
- Punctuality and concept of time

Many differences between eastern and western negotiations
- Westerners divide the large task up into a series of smaller tasks (issues such as price, delivery, warranty, etc may be settled one issue at a time)
- Asia (eastern) deal with all issues in one sitting in no order

Signals of progress:
- Higher-level foreigners being included in discussions
- Questions beginning to focus on specific areas of the deal
- Softening of their attitudes and position on some of the issues
- At the negotiation table, increased talk among themselves in their own language, which may often mean they’re trying to decide something
- Increased bargaining and use of the lower-level, informal ,and other channels of communication

Four steps lead to a more efficient and effective int’l business negotiations:
1. Selection of the appropriate negotiation team
2. Management of preliminaries, including training, preparations and manipulation of negotiation settings
3. Management of process of negotiations, (ie. What happens at the negotiation table)
4. Appropriate follow up procedures and practices

Negotiators should have:
- Maturity
- Emotional stability
- Breadth of knowledge
- Optimism

- Flexibility
- Empathy
- Stamina
- Willingness to use team assistance
- Listening skill
- Influence at HQ

Seven aspects of the negotiation setting that should be manipulated ahead of time if possible:

- Location
- Physical arrangements
- Number of parties
- Number of participants
- Audiences (news media, etc)
- Communications channels
- Time limits

Everywhere around the world there are 4 stages business negotiations proceed through:

1. Nontask sounding
   - Includes all activities that might be described as establishing rapport or getting to know one another, but it does not include info related to the business of the meeting
2. Task-related exchange of info
   - Regards the parties' needs and preferences
3. Persuasion
   - Involves thee parties' attempt to modify one another's needs and preferences through the use of various persuasive tactics
4. Concessions and agreement
   - Consummation of an agreement, which is the summation of a series of concessions or smaller agreements

Chapter 16: Managing Int'l Marketing

The cycle of planning, organization, staffing, implementation and control has the three main functions:

1. It is a systemized way of relating to the firms future
2. It attempts to ensure how this future will unfold, to the extent possible, in the desired direction in line with the firms strategies
3. Provides mechanisms for adjustments since the future never unfolds exactly as anticipated

Reasons why it may be successful or not

- Reflects the firm's level of commitment to its int'l operations, through its allocation of resources both to the overall global effort and to each specific market
- Includes development of the expansion strategies are part of the broader planning process
- Deals with how expansion strategies are implemented in terms of specific elements of the marketing mix
- Develops the firm's organizational structure for dealing with its operations abroad, which reflects the way it sees the world and the degree to which it has adopted a true global mindset
- Defines how the firm will manage its most precious resource, its people, and who and of what types these people will be

- If properly done, it includes provision for how the firm will interact with its various stakeholders and with society at large within each of its markets in order to meet its social responsibilities
- It specifies feedback and control mechanisms, so that it can cope with changing trends in the midst of rapidly evolving global conditions and quickly spot problems and deviations from the original plans that arise

A systematic plan forces the setting of objectives, including management\s commitment and philosophical orientation to int'l business, and of mechanisms for evaluating the extent to which they are or are not met

Planning may be viewed as:
- Corporate planning: essentially long term, incorporating generalized goals for the enterprise as a whole
- Strategic planning: conducted at the highest level of management and deals with products, capital, and research and long- and short-term goals of the company
- Tactical planning/Market planning: pertains to specific actions and to the allocation of resources used to implement strategic planning goals in specific markets
    - Made at the local level and address marketing and advertising questions

Lack of control over outcomes means there's no way to tell if it was effective

International commitment: commitment in terms of dollars to be invested, personnel for managing the int'l organization, and determination to stay in the market long enough to realize a return on these investments.

A company uncertain of its prospects is likely to enter a market timidly, using inefficient marketing methods, long channels, or poorly developed organizational forms, thus setting the stage for the failure of a venture that might have succeeded with full commitment and support by the parent company

In int'l marketing, the plan's content will comprise the 5 decision areas:
- Whether or not to expand int'lly (whether 'for the first time' or 'beyond existing foreign operations')
- Where to go (int'l market evaluation and selection)
- How to get there (the entry mode decision)
- Overall (global) strategy
- Needed strategic adaptations to the marketing mix

A company's organizational plan includes the type of structural arrangements to be used, and the scope, and location of responsibilities of the individuals and organizational units involved

It is difficult to devise a standard organizational structure because organizations need to reflect a wide range of company specific characteristics:
- Size
- Level of policy decisions
- Length of chain of command
- Staff support

- Source of natural and personnel resources
- Degree of control
- Centralization
- Type or level of marketing involvement

Companies are usually structured around one of 5 alternatives:

1. *Functional* divisions, with each specializing in a particular type of activity (such as production, marketing, finance, HR)
2. *Product* divisions responsible product sales throughout the world
3. *Geographical* divisions responsible for all products and functions within a region
4. Divisions by *customer type*, responsible for certain types of customers regardless of where they are located or which products they buy
5. *Matrix* organizations consisting of a combination of two or more of the previous structures

Companies that adopt the global product division structure are generally experiencing rapid growth and have broad, diverse product lines

Geographic structures work best when a close relationship with national and local gov'ts is important

Structures by customer type are necessary when different kinds of customers have different kinds of needs and each represents a large proportion of the company's sales and profits

A small geographic division may not have the expertise to handle all of the firm's products effectively, requiring help from home-based product divisions; home-based global product divisions may be stymied in their efforts to penetrate a particular foreign market and need to develop a local geographic outpost to gain greater local know how.

Any company needs functional specialists (ex. int'l marketers or personnel specializing in cross-national advertising methods) as much as it needs product-, market-, customer-, or other specialists

Hybrid structure**:** companies integrate them using the SBU concept to bring all relevant types of know-how under one roof

Networked Corporation: company recognizes that some countries possess skills that other do not have in as much supply, and assign their subsidiaries the task of managing the relevant functions for the company's worldwide operations

World (or global) product mandates (WPM or GMP):

The number of organizational patterns for the headquarters activities of multinational firms is infinite but most fit into one of three categories:

- Centralized organizations

    - Advantages are: the availability of **experts** at one location, the ability to exercise a high degree of control over strategic planning and tactical implementation, and the centralization of all records and info
- Regionalized organizations
- Decentralized organizations

Expatriates**:** people who are not nationals of the country in which they work

Three main types of expatriates

- Home country expatriates (*HCE*): people who come from the company's own country
- Third-Country Nationals (*TCN*): people from one country working in a second on behalf of a firm from a third
- Virtual Expatriates *(VE)*: continue to be based in their home country but travel extensively to conduct the company's business in other markets

Advantages of Expatriates

- Greater technical training
- Better knowledge of company and its product line
- Proven dependability
- Able to communicate more effectively with and influence headquarters personnel
- Add to the prestige of the company and its product lines in the eyes of foreign gov'ts, associates, and customers

Disadvantages of Expatriates

- High cost
- Cultural and legal barriers
- Quality of life issues
- Limited number of high caliber personnel willing to live abroad for extended periods
- If assignment is not successful, and the employee leaves the company, an indeterminately high cost in low morale and loss of experienced personnel results

Agency Capture: a situation where an expatriate 'goes native' and develops greater loyalty to the host country and its business than to the employer

Expatriates salary may not be more than those of their national counterparts but the total cost of keeping them in-country can be considerably higher compared to local staff (because of cost-of-living benefits, moving expenses, taxes, and other costs)

Concerns about foreign corporate domination, local unemployment, and other issues cause some countries to restrict the number of non-nationals allowed to work within the country.

The law often limits foreign personnel permits to periods just long enough to train a local for a specific position → causes few opportunities for sending home-country personnel to management positions abroad.

Characteristics for selecting personnel for foreign assignments:

- Maturity and the ability to work independently
- A kind of emotional stability not demanded in domestic positions
- Considerable breadth of knowledge in many subjects both on and off the job
- A positive outlook toward the international assignment
- Preparedness to build cultural empathy with the people and customs of the target country
- A high level of energy and a positive disposition to travel

Separation Allowances**:** short-term assignments involve payments of overseas premiums if the family doesn't go along

Longer-term assignments can include family expenses

Reducing the rate of early returns → difficult to adjust (for spouse/family)

- New consumption patterns must be learned, family members cannot get employed, female members face severe social restrictions
- Companies have to prepare families as well how to cope with these differences

Improve the re-entry process suggestions:

1. Commit to reassigning expatriates to meaningful positions
2. Create a mentor program, using senior executives who monitor company activities, keep the expatriate informed, and act as liaison between the expatriate and HQ
3. Offer a written guarantee on what the company is obligated to do for the expatriate on return
4. Keep the expatriate in touch with HQ through periodic briefings and home visits
5. Prepare the expatriate and family for repatriation when a return date is set

Global managers: helping to bridge cultures and increase cross-cultural understanding, which supplements and greatly enhances the similar role played by the growth of int'l media and tourism

Seven most common 'sins that beginning exporters and/or mature int'l firms commit:

- Insufficient commitment by top management
- Chasing orders from around the world instead of establishing a base for profitable operations and orderly growing
- Unwillingness to modify products, prices, distribution practices, and promotional approaches to meet regulations or cultural preferences of other countries
- Failure to obtain qualified advice and to develop a master int'l marketing plan before starting an export business or before passing into a new phase of international growth
- Insufficient care in selecting overseas agents or distributors
- Failure to treat int'l distributors equitably
- Neglecting int'l operations when the domestic market booms
- Neglecting the domestic market when foreign markets boom

List of winning characteristics of successful int'l firms:

- Good people
- Clear philosophy

- Sound actions

Chapter 17: The Future of Int'l Marketing – Trends, Ethics and the CDN Way

Trends in global trade and investment

Doha Round: is the current trade-negotiation round of the World Trade Organization (WTO) which commenced in November 2001 under then director-general Mike Moore. Its objective is to lower trade barriers around the world, and thus facilitate increased global trade.

- Gulf of differing opinions about developing countries access to agricultural and industrial markets

Socially Responsible Behaviour: has become a major issue both domestically and internationally

"Socially responsible behaviour abroad is one of the major emerging trends of this century"

Experiential Buying: the trend toward buying experiences rather than products started in North America but will continue to intensify and spread across the world.

STEP Model: organizations utilize it to undertake macro trend analysis of various environmental conditions. **Society and culture, Technology and Economy, Political and legal developments**

Society and Culture: the consumer landscape will change and expand significantly fuelled by a variety of demographic and cultural factors

- Growing wealth and purchasing power: millions of new consumers will be reaching a high threshold of house hold income, affecting markets from toothpaste to the industrial products needed to produce them
- Shifts within and among existing Segments: there will be a profound shifts within consumer segments in both developing and developed economies
  - Ex. Longer life expectancies
- Tribal Consumers: emergence of "tribe" of consumers, people who live in different countries and from different cultures but share similar interest and feel a high level of affinity with like consumers elsewhere
- Influencers of decision making: in consumer markets the 5 main roles (gatekeepers, influencers, decision makers, buyers and users)
- Rising education levels

Technology and **E**conomy: … technological and economic trends -_-

- Economic Trends and Natural Resources: every forecaster predicts shifts in the global economy as technology evolves and becomes more accessible to developing countries. Three major environmental issues will affect the global economy:
  - Dwindling natural resources
  - Pollution
  - Space (the earth is only so big)
- Infrastructure and markets: BOPM (bottom of the pyramid markets) is the concept that 4 billion of the poorest people have little purchasing power but collectively they make up 2 thirds of the global population and represent a major opportunity.

- Technology: its making things grow as previously fucking stated …

Political and legal developments: increasing prosperity in developing countries is having the duel effect of raising citizen's demands for services like those of Canada (public services) and making it possible for governments to try and satisfy those demands

Corruption and Bribery

Bribery: when people in positions of power enrich themselves by accepting and/or demanding illicit payoffs.

- Extortion: if payments are extracted under duress by someone in authority from a person who seeks only what he or she is lawfully entitled to
- Facilitation payments: involve a relatively small cash sum, gift or service given to a low-ranking official in a country were such offerings are no illegal
- Subordination: large payoffs to an entice an official to commit an illegal act on behalf of the payer
- Agent's fees: when a company is uncertain of a country's rules and regulations, it may hire an agent to represent it. (legal) others may use that agent simply as an intermediary for bribes (illegal)

Growth of Anti-Bribery legislation: the hardest thing about bribery is the difference of acceptance in countries and international businesses may be doing things that are illegal in their home country but legal in the host country.

- OECD inacted an accord "*convention on combating bribery of foreign public officials in international business transactions"*
- UN fallowed with its own *"convention against corruption"*
- The U.S. fallowed with *"Foreign corrupt practices act"*
- Canada passed the *"corruption of foreign public officials act"*

5 indirect effects legislation has

1. It specifies what is and is not illegal
2. It helps clarify matters beyond the narrow confines of legality and into the border of ethics
3. It establishes more equal rules for all and this helps to remove a prime motive behind bribery
4. When violators are caught, headlines ensure and illegal acts and the perpetrators are brought to the attention of the company's stake holders
5. The publicity surrounding the passage of laws and violations raises marketing executives level of awareness of the importance and deleterious effects of bribery and corruption

Consumer protections and consumer rights

- Relationships between businesses and consumers and the ethical questions involved
- Creative advertising techniques such as "sound trucks" (trucks in Hattie that drive around and blast advertisements) questionable ethics due to invasion of space

6 basic consumer rights: they depict what consumers are entitled to and also reflect the areas in which most questionable or objective marketing practices occur

1. the right to safety
2. to be heard
3. to choose
4. to be informed
5. to privacy
6. to a clean healthy environment

The special case of advertising

- some issues arise from advertisers abuse and some from consumer misunderstandings 4 main issues have arisen from this back and forth debate

1. variable views: consumer concerns concerning advertising are spread around the world but differ among countries

ex. European countries see it as a negative way of raising prices where as Hong Kong have praised it on its way to obtain valuable product information

2. Ethics of persuasion: many countries feel that advertising is to powerful and persuades consumers to buy what they don't need
3. Advertising regulation: there is enhanced awareness of the expansion of mass communications and the need to effect greater control on advertising in both developed and developing countries
4. Self-Regulation on advertising: questionable practices were not specifically dealt with in various legal systems when advertising was underdeveloped and not considered a major issue, things are changing when advertisers take advantage of this and push things to far gaining the attention of regulators

How responsible *should* international marketing be?

The boundaries of social responsibility

- Business of social contract theory: in return for the right to make profit, the corporation undertakes to produce needed goods for its customers while enabling all stakeholders rather than just shareholders, to have a voice in how it relates to society and which social responsibilities to exercise.

Social contract abroad

- The environment for businesses to operate in varies based on level of violence, index of economic freedom, formal and informal "markets", and interpretation on regulation

Social contract paradox:

1. Governments of most countries today do not just allow but "court" countries to come in as a means of increasing domestic property
2. In most markets abroad international firms are chastised and berated for being exploitive and so on
3. Governments and citizens of the same countries do not exactly deliver on their part of

Ex. International firms must put up with highly restrictive economic environments and somehow function effectively and act responsibly even though the rules change by the season if not by the day.

Context of negotiations: if one wants to do business, on within reason must adapt

Ethical and Socially responsible decisions

Areas of ethical responsibility → 5 broad areas where difficulties arise and managers are presented with tough decisions

1. Employment practices and policies
2. Consumer protection
3. Environmental protection
4. Political payments and involvement in political affairs of the country
5. Basic human rights and fundamental freedoms

Approaches for analyzing ethically gray situations

- Utilitarian ethics: does the action optimize the "common good" or benefits of all constituencies? Who are the constituencies
- Rights of the parties: does the action respect the rights of all individuals involved
- Justice of fairness: does the action respect the cannons of justice or fairness to all parties involved

Three modes of typical business behaviour in ethics

1. Ethical imperialism: One assumes that one's own moral code is superior and applies it to all countries without regard to local conditions
2. Cultural relativism: assume the moral code of whatever country you are working in
3. Moral absolution: there are moral absolutes or universal rules that apply everywhere

1 and 3 are wrong because they impose beliefs in a situation without consideration of its own standards and norms. 2 is wrong because it exposes the company to possible

Corruption. Donaldson and Dunfee (business researchers) proposed an alternative:

Integrated social contracts theory: 3 types of norms

1. Hyper norms: the moral imperatives that tend to be accepted worldwide by most religions, cultures, and political systems. Such as basic human rights
2. Consistent norms: norms that vary by culture but are not in conflict with hyper norms and are consistent with those found in at least some other cultures
3. Moral Free Space: this consists of norms that vary across cultures, often reflect strong cultural beliefs and may be inconsistent with one's own moral code. However these do not conflict with hyper norms allowing one to decide whether or whether not to abide by them
4. Illegitimate norms: these conflict with hyper norms and are beyond the bounds of permissible behaviour no matter what moral code one subscribes to

How to face the ethical challenge

1. In case of doubt always refer to the code of ethics of the American marketing association, the most central and widely used and inclusive of such codes as previously mentioned
2. Iron law of responsibility: those who do not use their power wisely will ultimately lose it. In terms of international marketers -- continuing success in any foreign market is fully contingent on the firm acting in such ways, no matter what the odds, its customers and distributers, the government, and other associates/business partners will actually want the firm to stay on and be successful and will cherish the relationship with it.

6 main points on Canada in Int'l Markets:

1. Canada is a major and significant nation in terms of import, exports and inward/outward investments.
2. While the overall picture of Canadian international business is rosy, the relatively reliance on resources low value added goods and the extremely heavy reliance on exports to the U.S. is cause for serious concern
3. The staples theory of reliance on resources to develop applied to Canada but now it is no longer relevant as development is now based on technology and services
4. Canada's most precious resource is people, well-educated and forward looking population
5. The top 50 exporters around the world count for approximately half of Canada's exports(a lot of them are U.S. subsidiaries)
6. Another 50% of Canada's exports is accounted for by thousands of smaller firms with their vitality and high growth rate.

Characteristics that give us an advantage

- People around the country describe us as nice, polite, to humble
- Recognized for its clean and scenic environment
- Strong political relationship with EU and NAFTA
- Even in organizations who are more controversial (world bank) Canada is seen as an effective consolidator willing to compromise

The Canadian way: Canadians relate better with foreign companies, is a core company that serves as a base for Canada's international competitive advantage